

Message Text

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ACTION AF-10

INFO OCT-01 EUR-12 ISO-00 PM-05 NSC-05 SP-02 SS-15
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TRSE-00 OMB-01 DOE-15 SOE-02 STR-07 GSA-02 INT-05
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R 100941Z JUL 78

FM AMCONSUL LUBUMBASHI

TO SECSTATE WASHDC 2524

INFO AMEMBASSY KINSHASA

AMEMBASSY BRUSSELS

AMEMBASSY PARIS

AMEMBASSY LONDON

C O N F I D E N T I A L SECTION 1 OF 2 LUBUMBASHI 0818

E.O. 11652 GDS

TAGS: EMIN EFIN CG

SUBJECT: STATUS OF KOLWEZI MINES. III OF III GECAMINES

PRODUCTION POSSIBILITIES

REF (A) KINSHASA 6676(NOTAL) (B) LUBUMBASHI 0791

1. SUMMARY: RECENTLY COMPLETED A POST-KOLWEZI
ASSESSMENT OF PRODUCTION POSSIBILITIES. HIGH PRODUCTION
OPTION, ASSUMING NEAR NORMAL OPERATIONS AT KOLWEZI, FORECAST
1978 PRODUCTION OF COPPER AT 404,000 MT AND COBALT AT 11,700
MT. LOW PRODUCTIO OPTION, ASSUMING MARGINAL PRODUCTION AT
KOLWEZI, FORECAST 1978 PRODUCTION OF COPPER AT 262,000 MT
AND COBALT AT 5,500 MT. BASED ON HIGH OPTION GECAMINES
FORECASTS COPPER PRODUCTION TO EXCEED 500,000 MT OF COPPER
IN 1981 RATHER THAN EARLIER TARGET OF 1979. ALTHOUGH DAMAGE
TO PLANT AT KOLWEZI WAS LIMITED EARLY REPLACEMENT OF OVERAGE
MINING AND METALLURGICAL EQUIPMENT AT OTHER PLANTS WILL BE
NECESSARY TO MEET HIGH PRODUCTIONS GOALS. MORE REALISTIC
ASSESSMENT FOR 1978 BASED ONPON HIGH INITIAL PRODUCTION AT
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KOLWEZI BUT DECLINING TOWARD END OF YEAR WOULD BE
346,000 MT OF COPPER AND 8,900 MT OF COBALT. OF COBALT. END
SUMMARY.

2. IN PREPARATION FOR MEETING WITH IBRD IN PARIS ON
JUNE 26, GECAMIES MADE THE FOLLOWING FORECAST FOR
MINERAL PRODUCTION IN 1978

ACTUAL	COPPER	COBALT	ZINC
JAN-MAY (ESTIMATED)	165,400 MT	4,900 MT	17,300 MT
JUNE/DEC	238,600 MT	6,800 MT	25,300 MT
TOTAL	404,000 MT	11,700 MT	42,500 MT

GCM STAFF MEMBERS ADMIT THESE PRODUCTION FIGURES ARE HIGH, BUT BELIEVE THHSLEVELS CAN BE ATTAINED ASSUMING THAT SECURITY CAN BE RESTORED TO KOLWEZI. APPROXIMATELY 75 PC OF EXPATRIATES RETURN BETWEEN AUGUST AND DECEMBER, AND CREDITS ARE AVAILABLE FOR SPARE PARTS AND OVERAGED EQUIPMENT. THE REPORT ALSO PROVIDES A LOW OPTION FOR THE YEAR 1978 OF 262,000 MT OF COPPER, 5,500 MT OF COBALT , AND 17,000 MT OF ZINC WHICH MIGHT OCCUR IF PRODUCTION AT THE INSTALLATIONS IN KOLWEZI FALLS OFF COMPLETEY,

3. ESTIMATED TOTAL MONTHLY RECEIPTS FOR GECAMINES MINERAL PRODUCTION FOR 1978 (TRANSLATED FOR BELGIAN FRANCS TO US DOLLARS AT RATE OF 32.5 BF --\$1) ACCORDING TO THE TWO OPTIONS WOULD BE:

	LOW PRODUCTION	HIGH PRODUCTION
AFF FIGURES OF MILLIONS OF DOLLARS		

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JUNE	67.1	80.9
JULY	74.0	77.8
AUGUST	40.6	82.8
SEPT	31.4	61.7
OCT	22.3	60.2
NOV	21.5	59.3
DEC	17.8	60.6

FOR THE LOW OPTION THESE FIGURES SHOW CONTINUOUS DECLINING PRODUCTION PRESUMABLY IN QUANTITY AND QUALITY. THESE FIGURES ASSUME PRICES SIMILAR TO THOSE AT THE END OF MAY NO UNSUAL PROBLEMS WITH RAW MATERIALS OR SPARE PARTS, AND SHIPMENT FROM AFRICAN PORTS WHICH MEET PRODUCTION LEVELS.

4. BASED ON HIGH PRODUCTION LEVEL FOR REST OF 1978, THE REPBRT PROJECTS EXPORTABLE MINERAL DOCUTION FOR NEXT FIVE YEARS AS FOLLOW:

YEAR/COPPER/COBALT/ZINC

1978	408,196	11,231	42.756
1979	430,000	13,000	55,00
1980	453,000	15,000	60,000
1981	525,000	19,000	65,000
1982	550,000	19,000	65,000

ACCORDING TO EHSE NEW PROJECTSION GCM'S P-2 EXPANSION FACILITIES WILL NOT BE OPERATIONAL BEFORE 1981, ABOUT TWO YEARS LATER THAN ESTIMATED BEFORE THE ATTACK ON KOLWEZI. REPORT NOTES THAT AT THE END OF MAY GCM HAS ALREADY SPENT \$151.7 MILLION OF THE 220 MILLION AVAILABLE FROM THE IBRD AND OTHER FOREIGN BANKERS FOR THE PROJECT. THE DELAY IN THE COMPLETION OF P-2 EX
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PANSION PROJECT IS EXPECTED TO ADD \$22 MILLION TO ITS COST BECUSE OF PRICE INCREASES AND \$5 MILLION BECAUSE OF THE SUSPENDED CONTRACTS. THE EXTRA COSTS RESULTING FROM THE NEW DELAYS WILL HABA TO BE MET THROUGH SELF-FINANCING IF ADDITIONAL IBRD ASSISTANCE IS NOT AVAILABLE.

5.REPORT CONTINUES AS NOTED IN REFTEL B THEREE WAS PROCTICALLY NO WAR RELATED DAMAGE TO ANY OF GCM MINING INSTALLATIONS) IN ORDER TO ATTAIN THE PROJECTED GOALS, GECAMINES BELIEVS THAT AN INTENSE EFFORT IS NECESSARY TO REHABILITATE URGENTLY EXISTING FACILITIES AN EFFORT WHICH HAS EEN POSTPONED INPAST YEARS BECAUSE OF INADQUATE FUNDS. SOME COMMITEMENTS FOR REHA-

BILITATION WERE ALREADY REGISTERED BY THE IMF JUST BEFORE THE KOLWEZI ATTACK, BUT THE REPORT DOES NOT SPECIFY FURTHER WHAT IMF WOULD BE DOING. GECAMINES LISTS IS REHABILITATION NEEDS IN EILLIONS OF US\$ AS FOLLOWS:

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C O N F I D E N T I A L SECTION 2 OF 2 LUBUMBASHI 0818

REMARKS/NEEDS/REG WITH IMF/NET NEEDS

(A) COST OF TWO MONTHS OF PROVISIONS AND SUPPLIES TO PERMIT
UNINTERRUPTED OPERATIONS

30 -- 30

B. REPLACEMENT OF SELECTED MINING EQUIPMENT AT ALL MINES

50 50 --

C RENOVATION OF SECTIONS OF THE METALURGICAL
INSTALLATIONS, PARTICULARLY AT SKITURU IN LIKSA

50 10 40

D OTHER MOST MOSTLY VEHICLES

5 -- 5

TOTAL 135 60 75

6 GECAMINES ALSO ANTICIPATES IT WILL SEPDN ABOUT \$5
MILLION IN NEXT 18 MONTHS TO PROVIDE "PROVISIONS FOR
ARMIES THOUGH NOT IDENTIFIED FURTHER IN THE REPORT
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THIS PRESUMABLY REFERS PRIMARILY TO THE PAN AFRICAN
FORCE, WHICH HAS ALREADY REQUESTED GECAMINES TO SUPPLY
IT WITH 600 M3 OF GASOLINE AND 120 M3 OF DIESEL ON A
MONTHLY BASIS. WHILE GECAMINES GENERALLY LACKS SUFFIC
EINT GASOLINE FOR SUCH A LEVEL OF CONSUMPTION THE
COMPANY BELIEVES THE SUPPLY OF FUREL TO THE PAN AFRICAN
FORCE IT ITS RESPONSIBILITY. GECAMINES HAS ALSO BEGUN
MAKING INQUIRIES ABOUT THE COSTS OF FOODSTUFFS FOR THE
PAN AFRICAN UNITS. SECONDARY COSTS ARE LIKELY TO BE
FUEL SUPPLIES FOR FAZ AND MAINTENANCE COSTS OF
FAZ-REQUISITIONED VEHICLES.

7. COMMENT: THE LOW PRODUCTION OPTION SEEMS EXCESS

IVELY PESSIMISTIC WHILE THE HIGH OPTION LEVEL SEEMS EXCESSIVELY OPTIMISTIC. AT THE LOW LEVEL TO PRODUCE 96961 MT DURING THE LAST SEVEN MONTHS WOULD MAN MONTHLY OUTPUT OF 13,850 MT A FIGURE WHICH WOULD SEEM TO EXCLUDE MORE THAN A MINIMAL KOLWEZI CONTRIBUTION TO PRODUCTION.

THE HIGH OPTION WOULD BRING 1978 PRODUCTION TO THE SAME LEVEL AS 1976. A BAD YEAR BUT ONE DURING WHICH THE ONLY MAJOR PROBLEMS WERE SHORTAGES OF SPARE PARTS AND FUEL. AT THE HIGH OPTION LEVEL TO PRODUCE 238,600 MT OF COPPER DURING THE LAST SEVEN MONTHS OF 1978 WOULD REQUIRE A MONTHLY OUTPUT OF 34,000 MT. ALTHOUGH GECAMINES UNOFFICIAL FIGURES OF MAY AND JUNE WERE 22,000 AND 31,000 OF COPPER RESPECTIVELY IT WILL BE DIFFICULT TO EXCEED THE JUNE LEVEL IN COMING MONTHS UNLESS A MAJOR INFUSION OF ASSISTANCE IS QUICKLY FORTHCOMING. A MORE REALISTIC AVERAGE FOR THE COMING SIX MONTHS ACCORDING TO INDEPENDENT OBSERVERS ASSUMING LITTLE OUTSIDE ASSISTANCE IS LIKELY TO BE

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25,000 MT. ADDITION 150,000 MT FOR THE LAST SIX MONTHS OF THE YEAR TO THE 196,000 MT OF THE FIRST SIX MONTHS GIVES A PRODUCTION LEVEL OF 346,000 MT FOR 1978.

8. DURING THE MONTH OF JUNE GECAMINES PRODUCED ABOUT 1,000 MF COBALT A FIGURE WHICH EQUALLED THE COMPANY'S NORMAL MONTHLY PRODUCTION DURING THE PAST TWO YEARS. THIS ABNORMALLY HIGH PRODUCTION GIVEN THE DIFFICULT CIRCUMSTANCES WAS DUE TO THE EMPHASIS WHICH GECAMINES HAD BEGUN PUTTING ON COBALT PRODUCTION IN FEBRUARY, IN ADDITION THE HIGH COBALT PRICES FOLLOWING THE KOLWEZI ATTACK STIMULATED THE EFFORT WHICH WAS ALREADY UNDERWAY. GECAMINES DIRECTOR OF EXPLORATION DOES NOT BELIEVE THIS LEVEL CAN BE MAINTAINED. HE ESTIMATED THAT PRODUCTION FOR THE FOLLOWING SIX MONTHS WILL AVERAGE BETWEEN 700 AND 800 MT PER MONTH GIVING A SECOND HALF OF THE YEAR PRODUCTION LEVEL OF BETWEEN 4200 AND 4800 MT THIS WOULD PUT COBALT PRODUCTION FOR 1978 BETWEEN 10,100 AND 10,700 MT. THE EXPATRIATE BANKER WHO HANDLES GECAMINES ACCOUNTS SAID HE IS NOT OPTIMISTIC ABOUT EITHER A QUICK RETURN OF EXPATRIATE OR A NEW INFUSION OF CAPITAL IN NEXT SIX MONTHS. HE ESTIMATES COBALT PRODUCTION WILL AVERAGE 500 MT FOR THE LAST HALF OF THE YEAR, GIVING A TOTAL PRODUCTION FIGURE FOR 1978 OF 8900 MT BOTH FIGURES ARE VERY RESPECTABLE CONSIDERING THE INITIAL FORECASTS AFTER THE KOLWEZI ATTACKS.

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